



**Governor's Council on Small Business
(GCSB)**

Recommendations

Presented To

Governor Janet Napolitano

Thursday, April 19, 2007

Council Co-Chairs

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Governor's Council on Small Business
GCSB
Recommendations 2007

Executive Summary

The number of small businesses operating in Arizona reported in 2003 is more than 400,000. According to the U.S. Department of Commerce and Census Bureau, Arizona reports an impressive 25.4 % increase in number of businesses from 1997 to 2003 exceeding the 16.4% national average of business growth. Small business is a main economic driver of our state's economy and contributes to many new stable jobs each year. Small Business represents more than 97% of the state's employer businesses.

As the number of small businesses increase in Arizona, entrepreneurs face numerous challenges affecting growth of small business. Although statewide resources are available to provide guidance and management assistance, many entrepreneurs are not aware of the state agencies, and/or business organizations that offer these services.

The Governor's Council on Small Business (GCSB) has developed a strategic plan to prioritize key and critical issues facing entrepreneurs and their employees. The Council identified four significant areas to address and formulate sound recommendations.

The GCSB's recommendations include the following:

Access to Affordable Health Care

- Eliminate statutory and regulatory barriers to Healthcare Group of AZ enrollment.
- Identify key strategic partnerships and market strategies to increase the Healthcare Group's enrollment.
- Develop innovative benefit designs that provide flexible consumer-driven health care to help control the costs of providing health care coverage.
- Provide incentives and broader solutions to improved health care coverage for small business with an emphasis on the uninsured and/or under-insured.

Access to Financial Capital

- Establish the Arizona Department of Commerce as the central location of information for business financing information.
- Develop a marketing strategic plan to provide small business with comprehensive information on statewide financial and educational resources.
- Enhance the ADOC Small Business Services Website to include a list of statewide resources related to business financing.

Communications, Marketing and Outreach

- Enhance the ADOC Small Business Service Website with links to state, regional and local small business resources.
- Promote small business educational and statewide outreach opportunities to small business.
- Enhance rural community outreach.

Workforce Development for Small Business

- Increase awareness and knowledge of statewide workforce development resources.
- Research transportation and short-term or emergency childcare options available statewide for small business.
- Identify job training, apprenticeship, education programs for small business.
- Identify and promote corporate partnerships for small business capacity development.

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Governor's Council on Small Business (GCSB) – Health Care Recommendations April 2007

Situational Analysis: Over 400,000 small businesses operate in Arizona. According to the University of Arizona report on Health Care Coverage in Arizona, only 28% of Arizona Small Business offer health coverage. Like many other states, small businesses are particularly challenged with providing affordable health care coverage for their employees, and sole proprietors represent half of the uninsured. This number does not include the children of the employees; therefore, the true number of uninsured with a connection to small business employment is even higher. In 2004, St. Luke's Health Initiative reported that 1 million Arizonans are without health insurance coverage.

An unacceptable number of small businesses are unable to provide insurance to their employees because of the high cost of premiums. Since 1998, commercial HMO premiums in Arizona have increased from 50% to 100% on average. This increase is often even higher for small businesses due to the fact that they don't participate in a larger pool of employees that helps reduce their risk profile resulting in lower premiums. Other drivers that impact higher premiums are rising prescription drug costs, new medical technology, increased payments to providers, and federal mandates. Jim Hopkins reporter for USA TODAY states, "It is the first time in nearly 20 years; small businesses say soaring worker health costs, not taxes, are their biggest headache. Taxes had been No. 1 since 1986. The health cost hikes threaten to further raise the number of workers without company-sponsored health insurance or who pay more of it themselves." Furthermore, health care insurance companies continue to modify existing policies for small business leaving employers with less affordable options, and a very limited choice of design benefits that best suit their needs. In some instances, health care policies have increased the required participation from 50-100% coverage for all employees of a small firm. The added burden in this case for the small business owner is meeting the required 100% participation of their employees and paying 100% coverage causing the employers to consider opting out of the health insurance.

The health care costs of the uninsured are also a major cost factor in higher premiums. Physicians and hospitals treat the uninsured with little or no compensation. In order to remain financially viable they cost-shift those uncompensated costs to the insured. Therefore, a decrease in the rate of the uninsured should create a downward pressure on premium costs; thereby, making health care coverage more affordable for everyone. Cost-shifting also occurs as a result of government health care entitlement programs, which pay providers below their cost for delivering medical services. It is estimated that impact of cost-shifting in Arizona is approximately \$91 million per year. Furthermore, the 2005 report on Human Development by Devi Shridhar, from The Institute of Social & Cultural Anthropology at Oxford, asserts that the high incidence of the uninsured generates losses throughout the economy, due mainly to the lower productivity of the uninsured workers.

A high uninsured rate creates a greater potential for increasing the rolls of the Arizona Health Care Cost Containment System (AHCCCS). Catastrophic illnesses and severe accidents cause a person without health care coverage to become eligible for the AHCCCS program. When this happens, the state assumes financial responsibility for medical expenses that are incurred, which can have a devastating effect on the state budget. It is estimated that for every 1,000 persons who avoid AHCCCS eligibility, the state saves \$900,000 per year in general fund expenditures. Increasing accessibility to affordable healthcare to small business in Arizona would result in reducing the number of persons using the AHCCCS program saving the state millions of dollars.

Given these factors, it is critical that small businesses have affordable access to quality health care coverage in order to reduce the one million uninsured and relieve the aforementioned strains on the health care system. One opportunity for affordable health care is Healthcare Group of Arizona, a state-sponsored public/private partnership, which provides affordable health insurance to small businesses and sole proprietors. In 2004, the State Legislature enacted changes to Healthcare Group that makes it very difficult for businesses that currently provide health care coverage to their employees to enroll into the Healthcare Group. Legislative barriers must be eliminated to ensure affordable access to health care. Healthcare Group is a unique program that could become a national model for other states that are looking for innovative ways to provide health care coverage to small businesses. Elimination of enrollment barriers would reduce the number of uninsured and competitively stimulate the market for traditional insurers to develop consumer choice health options affordable to small business. Dialogue at the federal level has occurred regarding expanding small business access to health insurance. However, enabling legislation for either proposal will likely not occur for several years. Therefore, Arizona must not wait for a federal solution, but endeavor to create its own solutions as soon as possible. Health care coverage should remain a voluntary action on

the part of small businesses.

Situational Analysis - Continued

With the proper incentives and cost controlling measures, Arizona can provide voluntary solutions to reduce the number of working uninsured without resorting to drastic and financially challenging measures such as statutorily mandating health care coverage for businesses.

On November 17, 2006 the Governor's Council on Small Business met with three executives of the private health care industry and the Director of the Healthcare Group of Arizona. The invited guests were; Benton Davis/CEO, United Health Care; Mark El-Tawil, President, Health Net of Arizona; Richard M. Hannon, Sr. Vice President of BlueCross/Blue Shield and Anthony Rodgers, Director of the Healthcare Group of Arizona. Also present at the meeting was January Contreras, Health Services Policy Advisor for Governor Janet Napolitano. The dialogue provided an opportunity for the CEOs of the private health care industry to speak to the issues regarding the high cost of health care for small businesses in AZ providing health insurance, the high number of uninsured, and cost-shifting that contributes to the high cost of providing health insurance. Currently, 28% of small business in Arizona provides health insurance to their employees, while 72% do not. The GCSB members expressed their concerns such as the plight of the small business owner paying high costs of health insurance which results in restraints in growth, expansion, and sustaining a qualified workforce. Furthermore, the negative impacts on small business in sustaining health coverage are driving owners to consider eliminating health insurance for their employees. The health care insurance executives conveyed the willingness to explore new health plans for the small business owner that would keep small business viable and operating, and increase participation of the uninsured. According to the Director of Healthcare Group, the elimination of the six month bare period would decrease the number of uninsured in Arizona and stimulate the market to offer competitive health insurance products.

Issue Statement:

Every small business in Arizona should have equal access to the most affordable and accessible health care. In 2004, the Arizona State Legislature enacted legislation that provides barriers to participation in Healthcare Group of Arizona for small business owners that currently provide health care coverage to their employees. This new statutory change and other statutory requirements for eligibility in the program should be reviewed to determine if they are relevant in the current business environment in order to ensure that barriers to full access to health care are eliminated.

Recommendation: Eliminate statutory and regulatory barriers to Health Care Group enrollment

- Eliminate "Six-month Go Bare Period" provision for enrollment.
- Change the current Healthcare Group definition of an eligible small business from "50 employees or fewer" to "100 employees or fewer."
- Expand eligibility in Healthcare Group to include franchise operations as independent small businesses.
- Adjust employee eligibility in conjunction with mandatory participation requirements to allow businesses with 5 or fewer employees to participate at the participation rate of larger businesses.

<p>Timeline and Metrics:</p> <p>Submit to Governor's Office in December 2006</p>	<ul style="list-style-type: none"> Consider incentives to encourage industry participation with the Healthcare Group of AZ, such as offering AHCCCS rates to hospitals by the Healthcare Group as it was done in the past.
<p>Issue Statement:</p> <p>Although Healthcare Group has existed since the mid-1980's, few businesses know of its existence. Current enrollment is over 23,000 enrollees, and growing each month. This growth is a result of more intensive marketing from the Healthcare Group Administration. However, increased marketing efforts are needed to ensure that the rate of the uninsured in Arizona significantly decreases.</p>	<p><u>Recommendation: Identify key strategic partnerships and market strategies to increase Health Care Group enrollment</u></p> <ul style="list-style-type: none"> Develop list of key stakeholders to provide marketing assistance Identify financial resources to increase marketing efforts Develop marketing material for distribution to key stakeholder groups Create forums to educate small businesses on the benefits of providing health care coverage. Establish a speakers bureau to aid in outreach efforts
<p>Timeline and Metrics: TBD</p> <p>Marketing Strategic Plan Complete</p> <p>December 2007</p>	

Issue Statement:

Healthcare Group of Arizona is exempt from Arizona Revised Statute Title XX regulations that stipulate mandatory coverage of certain health care services. Because of this exemption, HCG is able to provide more flexible health care coverage at a lower cost to those persons who have a low health risk profile, or lack of need for certain services. For example, maternity is a mandatory coverage item under Title XX. Because it is exempt from those regulations, Health Care Group has a benefit option for those who are unable to have children due to age and gender. This flexibility allows Healthcare Group to quickly respond to consumer driven health care demands, which will make it an attractive, affordable, and competitive option as health care costs continue to rise.

Timeline and Metrics: TBD

December 2007

Recommendation: Develop innovative benefit designs that provide flexible consumer driven health care to help control the costs of providing health care coverage

- Commercial insurers should be encouraged to explore innovative health benefit packages.
- Healthcare Group should consider creating an advisory council of small businesses to provide feedback on new benefits designs
- Evaluate alternative initiatives such as Universal Health Care and/or unifying small business groups to leverage buying power and negotiate affordable health care coverage for small business.
- Consider providing tax incentives for employers who provide health care coverage for employees.

Issue Statement:

Many small businesses do not provide health care coverage to their employees due to the high cost of health insurance. This results in lost productivity, a greater number of sick days, and high turn-over ratios. The high cost of insurance premiums can partially be attributed to the cost of uncompensated care of the uninsured and under-insured being shifted to insurers by providers.

Timeline and Metrics:

December 2007

Recommendation: Provide incentives and broader solutions to improved health care coverage for small business with an emphasis on the uninsured and/or under-insured

- Explore possible incentives to encourage small businesses to offer health care coverage to employees
- Explore possible incentives to encourage uninsured, especially the “young and invincible” segment of employee groups, to participate in employer health plans in order to lower premium rates.
- Identify federal assistance opportunities for small businesses in creating risk pool options for persons with high health care costs
- Identify any class actions suits that may be pending due to discrimination of small businesses with regard to access to affordable health insurance

Governor's Council on Small Business (GSCB) – Access to Small Business Financing, April 2007

Situational Analysis: Access to financial capital is one of the most critical foundational elements for the creation of new entrepreneurial companies. Economic development platforms around the nation incorporate programs to improve entrepreneurs' access to early stage and seed capital. Access to capital is also a point of competitiveness. Savvy entrepreneurs shop for markets that offer the best financial infrastructure and resources to start or grow their companies.

Small business and entrepreneurship form an integral part of Arizona's economy. The valuable contributions of small businesses are widely recognized by all sectors of society. As a result, federal, state, and local agencies offer resources to aid small business. Yet, in spite of the wide media coverage of low interest rates and available money supply, access to financial capital continues to be the most difficult challenge for small business owners.

Recent newspaper articles point to several reasons, even under optimal conditions, why many entrepreneurs today are not successful at accessing financing: 1; financial institutions, by the very nature of their business, are resistant to offer high-risk loans which many small businesses represent; 2; potential entrepreneurs may lack the business savvy to articulate a needs assessment in business terminology; 3; and such inexperienced business persons may also fail to present a well-thought out long-range alternative plan to cover emergencies and other contingencies. These negative factors contribute many times to denial of financial capital for the small business owner.

As these sources make plain, acquiring seed money and initial capital for start-up becomes the beginning of an on-going and crucial process of small business financing. Financing becomes especially critical for the survival of existing and growing companies as they move beyond the start-up phase into second and third stages of development.

<p>Issue Statement:</p> <p>Entrepreneurs and small business should be able to easily access finance capital resource information to assist every stage of their development.</p> <p>After extensive research, the GCSB Access to Small Business Financing Committee has found several statewide resources such as financial institutions and non-profit organizations providing information on qualifying and accessing small business capital.</p> <p>The information though available for those willing to seek it out, is widespread and very time consuming for the entrepreneur to pinpoint their needs.</p> <p>To ensure that everyone is able to find the information, a central location for easy access to educational courses, workshops and speaker series is required. And, Financial Guides, such as <i>AZ Community & Business Financing Guide</i> and <i>Entrepreneur's Edge</i> be available statewide.</p>	<p>Recommendation: Establish a Central Location for Business Financing Information</p> <p>ONE CENTRAL LOCATION</p> <p>The Arizona Department of Commerce (ADOC) should be the first stop for small business to seek assistance. The committee has recommended enhancing the Small Business Services section on the ADOC Website http://www.azcommerce.com/BusAsst/SmallBiz/, to include resource links that can easily access to financial capital resources, education opportunities and information on the basic underwriting requirements for business loans.</p> <p>Small business capital information is vast, however not easily accessed. Thus, the Arizona Department of Commerce's enhancement of its current website dedicated to Small Business resources would serve as a vital tool for accessing a revolving wealth of information for business capital.</p> <p>The committee also recommends <i>The Arizona Community and Business Financing Guide and Entrepreneur's Edge</i>, produced by the ADOC which provides essential financing resource information for Small Business, be available in hard copy at City and State Agencies including libraries, colleges, universities, non-profit business organizations and chambers of commerce. In addition, the Guide and Entrepreneur's Edge be available electronically (PDF) on the ADOC Website and reproduced on Compact Disk (CD).</p>
<p>Timeline</p> <p>June 30, 2007</p>	

<p>Issue Statement:</p> <p>In addition to enhancing the ADOC Small Business Services Website and available distribution of the <i>AZ Community & Business Financing Guide and Entrepreneur's Edge</i>, A Financial Brochure outlining in simple but detailed terms the general requirements for small business loan is essential for today's entrepreneur.</p> <p>The goal is to contribute to the success of start up, operating or growing small business, thus strengthening economic growth and attracting more business to Arizona.</p> <p>According to information gleaned from financial institutions, chambers of commerce, SBDCs, and special loan assistance organizations, small business loan applicants are not prepared with information needed for a loan. The results are frustrating to both the entrepreneur and financial institution.</p>	<p>Recommendation: Develop a Marketing Strategic Plan to Inform Small Business of Existing Financial and Educational Resources</p> <p>Develop a Strategic Marketing Plan to; identify the various vehicles of communication linking statewide resources on financial capital, and promote and increase awareness of financial and educational resources by determining effective ways of disseminating information to small business, thus providing greater outreach to entrepreneurs in Arizona.</p> <p>Create a printed brochure and or fact sheet on resources for financial capital as well as an electronic version located on the ADOC website, Small Business Page linked to all towns and municipalities in Arizona. Any state licensing agency, small business organization service provider or chambers of commerce could furnish the information to small business owners.</p>
<p>Timeline</p> <p>December 31, 2007</p>	

<p>Issue Statement:</p> <p>Credit worthiness is a fundamental requirement for accessing financial capital. According to lending specialists, many aspiring and existing entrepreneurs often have personal issues with their credit reports, unlike the larger business owners or corporations. These problems delay obtaining business loans and hinder their overall business plan.</p> <p>Financial and credit education is a preventative measure to avoid or at times repairing credit problems, thus enabling start-up, operating or growing small businesses.</p>	<p>Recommendation: Marketing Strategic Plan: Enhance the ADOC Small Business Website</p> <p>The Arizona Department of Commerce's enhanced Small Business Services Webpage should have a list of the Small Business Development Centers (SBDC's), University of Arizona, Arizona State University, Northern Arizona University, Community Colleges, Counselors to America's Small Business (SCORE), and Chambers that offer workshops, seminars and courses on financial and credit education for entrepreneurs, thus increasing the success rate of small business. In addition to the many financial courses offered statewide it is important to highlight those educational institutions or organizations that offering classes or workshops on small business financing and personal credit, thus assisting the would-be entrepreneur and all consumers.</p> <p>In addition, the committee recommends to the Arizona Department of Commerce to coordinate a partnership with local non-profit small business service providers, and leaders of financial institutions to examine gaps in small business lending and explore solutions to the finance and credit issues encountered by small business.</p> <p>This access to financial education component would be integrated in the overall marketing strategy , therefore creating well informed entrepreneurs on the set of principles of all lending institutions as listed below:</p> <ul style="list-style-type: none"> • Credit and Character History • Capacity • Capital • Conditions • Collateral
<p>Timeline</p> <p>December 31, 2007</p>	

Governor's Council on Small Business (GCSB) – Communication and Outreach Recommendations – April 2007

Situational Analysis: Small business drives the Arizona economy. Small Business Administration data reports there are over 450,000 small businesses in Arizona providing nearly a million jobs. Small Business is defined as not having more than 100 employees and revenues not exceeding four million dollars a year. These companies represent over 97% of state's employer businesses and employ nearly half of the non-farm section workers (1). Based on statistics from 2002, women-owned businesses represent 28.8% of the state's total businesses and generated over \$15 billion in revenue (2). Minority owned businesses, which include some women-owned, totaled 58,552 and generated revenues of \$24 billion in 2002(2).

Starting and growing a small business in Arizona, however, is a challenge. In 2005 there were over 21,000 new small businesses started, which was a 71.8% increase over the prior year; however, business bankruptcies increased by 9.4% and business terminations increased by 4%, representing nearly 19,000 businesses lost in one year.(3) Small business owners with and without prior business experience are inspired by an idea, an invention or a dream. Although inspiration is what drives them, frustration, lack of knowledge and lack of support or resources is what may drive them out of business.

A review of the resources and support networks available to small businesses proved to be abundant, but this vital information and support is often not found and consequently not used. There is a wealth of information available to guide small business owners, and a large number of public and private support and educational groups to help small businesses, but these resources are under utilized. The primary reason is small business owners don't know about them. These resources include the United States Small Business Administration, the Arizona Department of Commerce, Arizona Small Business Association, local Chambers of Commerce, Small Business Development Centers, Community Colleges, Counselors to Arizona Small Business (SCORE), and Micro Business Advancement centers as well as educational opportunities available through state universities and community colleges. The primary reason these resources are not utilized is a lack of effective marketing.

Time-crunched small business owners are, more often than not, one-person-shows responsible for all aspects of their business as well as the chief officer overseeing their investment, most always with their own money. Using "their own money", is the one pressure that makes creating and developing a small business a very challenging proposition and is, in many cases, what causes their business failure. Because of the sheer volume of small businesses in Arizona (450,000) and the positive impact they have on the state's economic health it is critical that we find an effective way to drive small business owners/entrepreneurs to information that can help them. How to get the wealth of business success information to small business owners is the state's challenge.

1 The Office of Advocacy's data is based on the percent of small businesses from 2003 Census and multiplied by the state's total number of employer businesses in 2005 from the Department of Labor and includes the 2004 non-employer firms from the U.S. Census Bureau

2 Sources U.S. Dept. of Labor, Bureau of Labor Statistics: U.S. Dept of Commerce, Census Bureau.

3 Sources U.S. Dept. of Labor, Employment and Training Administration: Administrative Office of the U.S. Courts.

<p>Issue Statement:</p> <p>Current and potential small business owners can not easily find, navigate or understand the information available because it is scattered in a variety of agencies, departments and service providers. Local information and requirements may also vary by county, city and type of business. Business owners must commit time and have a working knowledge of technical language. The Arizona Department of Commerce has a wealth of information on its website, but the navigation design limits the effectiveness and ease of locating specific information. A test search was conducted to find business resource information in Arizona on the web using the key words 'Arizona business resources 'and the Commerce Department website was the 21st listed. Looking for the Small Business Development Center at Pima Community College was even more difficult. Using key words 'Small Business Development Centers" led to a home page but key word search from this home page told that neither Tucson nor Pima College had an SBDC.</p>	<p>Recommendations: Enhance the Small Business Service page on the Arizona Department of Commerce Website, linking state, regional and local resources.</p> <ul style="list-style-type: none"> • The Department of Commerce should enhance its current Small Business Services webpage (http://www.azcommerce.com/BusAsst/SmallBiz/), by creating a comprehensive web resource center or <i>Go To Site</i> for small business with an oversight committee which includes experts in the private sector and service provider representatives to assist on how to make the information accessible as well as more visual with sensitivity to various ways of how the public processes information. • Department of Commerce should maximize internet marketing techniques, preferably by using the technical resources of the AZ Government Information Technology Agency (GITA), and outside firms, to move the site to prominent positions in search engines and to create active links on all associated small business service and association websites. • Small Business Services Web Page to have an ICON Link to the <i>Arizona At Your Service Website</i>, "Arizona Steps Up" a <u>free</u> online directory promoting certified Small, Minority, Woman-owned and Disadvantaged Businesses Enterprises in Arizona, to the Sixty-One State Regulatory Agencies and any future resources with navigation ease to return to the Small Business Services Web Page. • Consideration needs to be given to providing information that is localized by region or county so a person does not have to wade through a sea of information that does not apply to them. •
<p>Timeline and Metrics: TBD</p> <p>June 30, 2007</p>	

<p>Issue Statement:</p> <p>State small business resources and information are not widely known and results in under utilization. Current outreach is coordinated by a variety of departments and consists of sincere efforts to attend small business events and support small business activities and provide literature and partnership support but the awareness of the state involvement is not prominent. The Arizona Department Commerce is not perceived, by the typical small business person, as the “go to” resource. There is no ‘top of mind awareness’ of the Commerce Department’s resources for small business.</p>	<p>Recommendation: Promote Small Business Educational and Statewide Outreach Opportunities to Small Business.</p> <ul style="list-style-type: none"> • GCSB develop a communications strategy in coordination with the ADOC, to develop a systematic process for outreach by media and other vehicles of communication informing small business, newsworthy efforts by the GCSB, topic resources, educational opportunities, state procurement process, small business services and speaking engagements by small business experts. • Increase awareness of the Small Business Capital Investment Tax Incentive (Angel Investment Program) where private companies expand early stage investment, and ADOC Job Training Program. • State Agencies should coordinate efforts with service providers and business organizations to improve the dissemination of information and resources to capitalize and leverage programs already in place to better serve their constituencies. • The Department of Commerce in partnership with non-profit small business service providers should develop a marketing strategy that promotes services and educational opportunities also improving the visibility and exposure to small business in Arizona. An overall marketing program should include a ‘ready to use’ advertising program for print and broadcast that media outlets will be requested to use as Public Service Announcements (PSA) as space and time permit. These campaigns should be created by the ADOC in partnership with a private agency in order to be easily understood, and can be made easily available on the website. • Evaluate the Arizona Department of Administration <i>Spirit Automated eProcurement System</i> for: <ul style="list-style-type: none"> - The level of User Friendly Language, Ease of Navigation and Vendor Focus - Current Outreach Efforts to the Small Business Community including Minority, Women and Disadvantage Business Enterprises • Explore options to partner with statewide town halls addressing small business concerns
<p>Timeline and Metrics: TBD</p> <p>December 31, 2007</p>	

<p>Issue Statement:</p> <p>Rural and tribal communities have unique challenges due to limited or unreliable technological availability, time and distance from resources centers and state services. Solving the reasons for these challenges is not a state priority nor is it for the private sector because of the limited opportunity however it is a priority for the state to dramatically increase its attention on these areas in order for them to grow and sustain a viable state-wide economy and provide opportunity for all Arizona communities. Cultural diversity and heritage and entrepreneurship give Arizona a unique stance our country.. In order to ensure these vital resources are not lost in the swath of rapid growth and in-migration to metropolitan areas, true economic support must be provided.</p>	<p>Recommendation: Enhance Rural Community Outreach</p> <ul style="list-style-type: none"> • The communications strategy should include a component specific to rural areas with limited technological availability and greater cultural diversity requiring more personalized outreach utilizing printed material, speakers and continuing instructional programs on state services and opportunities. Including a master schedule of speakers/instructional sessions by all state departments providing assistance/resources should be developed for the outlying areas. • A current Entrepreneur's Edge Resource Guide should be readily available for statewide distribution. Further exploration to print guide with regional focuses (zoned editions) so that key information for particular areas is easy to use. Although common information is the bulk of the book and will be the same in all editions, county or regional information will be the initial focus. Increase distribution points will be part of the overall marketing strategy. • Increase awareness of the Small Business Capital Investment Tax Incentive (Angel Investment Program) where private companies expand early stage investment and offer an additional 5% tax credit (35% compared to 30% in non-rural) in rural areas.
<p>Timeline and Metrics: TBD</p> <p>December 31, 2007</p>	

Governor's Council on Small Business (GCSB) – Workforce Development for Small Business- April 2007

Situational Analysis:

About 100 years ago, the vast majority of people in developed countries worked on farms, in domestic service, in small craft shops and in factories. Fifty years later, the percentage of manual workers in the American workforce had declined to around half, and factory workers had become the largest single section of the labor force, making up 35% of the total. Now, another 50 years later, less than a quarter of American workers earn their living from manual jobs (The Economist, November 1, 2001). Today, the rapid growing workforce in America and in every other developed country, is “knowledge workers”—people whose jobs require formal and advanced education. They now account for a full third of the American workforce, outnumbering factory workers by two to one. According to *The Economist*, in another 20 years or so, they are likely to make up close to two-fifths of the workforce of all rich countries (The Economist, November 1, 2001).

The nature of work in the United States is changing dramatically as a result of globalization, increased competition and the transition from an industrial to an information- and service-based economy. Higher levels of education and training are increasingly becoming the prerequisite for not only high-wage jobs but also those that pay just a living wage (The Adult Learning Gap, October 2003). The challenge faced by Arizona is providing effective programs to move steadily its workforce towards a knowledge-based economy. An educated and skilled workforce matters more than ever before. Training has gained prominence as an individual necessity and workforce development has emerged as a collective priority. A survey was conducted at the University of Phoenix of more than three hundred employers in growing industries such as; health care, education, business, computer systems and sales. The results found that 65 percent of those surveyed were concerned about a shortage of skilled workers. Fifty-one percent believe that continuing education, such as seminars and workshops, are important. Almost fifty-seven percent of the respondents offer tuition reimbursement to employees (Business Journal, January 31, 2005).

Workforce Development is critical for small business in Arizona as employers contend with a shrinking labor force and a growing demand for skilled workers. The disappearance of low-skill jobs, concerns about shortfalls in education and skills, an aging workforce, employee turnover, and changes in state demographics, forces today's entrepreneur to consider innovative strategies to support employees (Cathy Healy: *A Business Perspective on Workplace Flexibility*). Workforce development strategies include identifying and addressing critical factors affecting the employee such as transportation, health care, child care options, workplace flexibility (telecommuting), job satisfaction and training. Accordingly, the small business owner is challenged with the costs related employee turnover such as employee training and recruitment, disruption of services, quality of services and customer relations (*Arbor Education and Training*).

Arizona's demand for small business workforce development is complex and its needs diverse. What is apparent, today's small business requires an educated workforce for growth and expansion. A well educated and trained workforce contributes to the retention of jobs and significantly cuts the costs related to the loss of labor force. Creating a quality workforce system that provides Small Business with a talented and educated workforce will attract higher paying jobs resulting in raising the standard of living in Arizona.

The Governor's Council on Small Business (GCSB) in partnership with the Governor's Council on Workforce Policy will research the workforce needs of small business and together explore recommendations beneficial for entrepreneurs in Arizona. Furthermore, the GCSB will broaden its partnerships with Government agencies, community colleges, small business development centers and other non-profit and the private business organizations to discuss strategies to better inform small business of the existing educational and on the job training resources in Arizona. Ultimately, a better educated workforce will contribute to successful employment and economic growth in today's knowledge-based economy.

Issue Statement #1:

An abundance of workforce development resources exist in Arizona, but are underutilized due to lack of awareness by business owners. Current marketing and outreach efforts to bring awareness of the workforce development resources should be enhanced to reach out to small business owners in the State of Arizona.

Estimated Financial and Human Resources Required:**Department of Commerce Staff Time**

Communicate via email and fax to stakeholders

Meetings of Committee members w/stakeholders

Focus group meetings or Teleconference of Group.

Proposed Measures of Success:

Partnerships Developed

Completion of the Strategic Marketing Plan

- Resource List Available
- Enhancement of ADOC Website

Timeline and Metrics:

Initial Plan to be presented April 2007;

Progress Report June 30, 2007.

Strategic Marketing and Outreach Plan
complete December 2007

Recommendations: Increase Awareness and Knowledge of Existing Resources.

- Develop a strategic marketing and outreach plan with small business owners, with Government Agencies and Councils, and non-profit and business organizations to:
 - Identify stakeholders
 - better inform small business, job seekers, professional employer organizations, temp agencies and business support organizations of existing resources
 - promote the ADOC Job Training Grants, and Apprenticeship Programs, including the statewide One-Stop Centers
- Have the Director of the Governor's Workforce Policy Council as a member of the Governor's Council on Small Business Workforce Development Subcommittee
- The strategic marketing and outreach plan to incorporate an informational/outreach campaign. In addition, include a review, evaluation, and enhancement of the Arizona Department of Commerce/Workforce Development Website.
- Grants information for Workforce and Job Training to be highlighted in a prominent location on the ADOC Small Business Services Website.

Issue Statement #2:

Currently, a disparity exists between small business needs for an affordable, competent, and reliable workforce and the employees' necessity for livable wages, skills training, and workplace flexibility. Often time this conflict leads to unreliability in employment and high employee turnover rates consequently resulting in overwhelming costs for small business.

Estimated Financial and Human Resources:

Commerce Staff Time and GCSB Volunteer Time

Proposed Measures of Success

Completion of a comprehensive research report which validates the needs of workforce and identify transportation and childcare options.

Research to provide a spring board for a pilot program designed to provide childcare and transportation options for the workforce

Timeline and Metrics:

Recommendation presented in April 2007

Progress Report: July 2007

Research completed in December 2007

GCSB Recommendations in January 2008

Recommendation: Research transportation and short-term or emergency childcare options available statewide for small business.

- Assess and evaluate current transportation (rural and metropolitan) options for small business and workforce. Invite the Arizona Department of Transportation and leading transportation agencies to provide data for research.
- Develop marketing/awareness plan based on the research to better inform employers and employees of statewide public transportation and childcare options.
- Research to include data that identifies type of jobs that benefit from flexible work arrangements such as flex-hours and telecommuting.

Issue Statement #3:

The quality of the existing labor pool is inadequate and small business long for models of success that provide on the Job Training and Apprenticeship Programs improving the rate of retention.

Proposed Measures of Success:

List of best practices developed offering Job Training and Apprenticeship Programs.

Timeline and Metrics:

December 31, 2007

Recommendation: Identify Job Training, Apprenticeship, Education programs for Small Business

- Identify best practices by small businesses in Arizona that offer job training and apprenticeship programs (segmented by industry). Partner with the Arizona Department of Commerce, Chambers, Business Organizations, and Business Magazines to identify best practices from companies with 100 or fewer employees.

Issue Statement #4:

The Small Business community is unaware of workforce development resources and training offered by private Corporations in Arizona, e.g., SRP, APS, and others. Corporations provide additional resources to be leveraged by small business.

Proposed Measures of Success:

List of Corporation and Programs identified.

Timeline and Metrics:

December 31, 2007

Recommendation: Identify and Promote Corporate Underwriting and Capacity Development Programs targeted to Small Business

- Research and identify corporate programs offering workforce development
- Explore ways of increasing awareness about corporate support and programs to aid small business in workforce development